

Message Text

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DRAFTED BY EUR/WE/KSMITH
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C O N F I D E N T I A L STATE 127369

LIMDIS

E.O. 11652: GDS

TAGS: MATT, PO

SUBJECT: BASE RIGHTS NEGOTIATIONS AND PORTUGUESE LOAN

REF: (A) LISBON 4254; (B) STATE 122510

1. WE AGREE THERE SHOULD BE NO FORMAL LINKAGE BETWEEN
THE \$300 MILLION LOAN AND THE AZORES BASE AGREEMENT.
HOWEVER CONGRESSIONAL COMMITTEES HAVE REPEATEDLY ASKED
ABOUT THE STATUS OF AZORES NEGOTIATIONS DURING DISCUSSIONS
ON US FINANCIAL ASSISTANCE TO PORTUGAL. AT THIS POINT THE
ONLY WAY TO AVOID SUCH A LINKAGE IS TO REACH BASIC
AGREEMENT ON AZORES BEFORE SENATE APPROPRIATIONS SUB-
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COMMITTEE TAKES UP BALANCE OF PAYMENTS LOAN. IN VIEW OF
CONGRESSIONAL CONCERN (REFTEL B) WE BELIEVE WE MUST PRO-
VIDE SENATOR INOUE WITH ASSURANCES THAT WE HAVE REACHED
AGREEMENT WITH THE PORTUGUESE ON THE BASIC OUTLINES OF A
RENEWAL OF BASE RIGHTS AND THAT WE WILL HAVE CONTINUED
RIGHTS TO USE THE BASE FOR NON-NATO PURPOSES.

2. WE PROPOSE THAT, AS SOON AS SUCH AGREEMENT HAS BEEN REACHED, WE ADVISE SENATOR INOUE AND ASK HIM NOT TO DISCLOSE THIS INFORMATION BECAUSE OF ITS SENSITIVITY AND NOT TO RAISE LINKAGE ISSUE IN SENATE APPROPRIATIONS HEARING ON BILL. INOUE'S APPROPRIATIONS SUBCOMMITTEE IS

SCHEDULED TO MARKUP THE FOREIGN ASSISTANCE APPROPRIATIONS BILL IN MID-JUNE. WE WILL NEED TO PROVIDE ASSURANCES BEFORE THEN.

3. WE, THEREFORE, AGREE WITH YOUR PROPOSAL TO MEET WITH PRIME MINISTER SOARES TO OUTLINE THE U.S. PROPOSAL FOR AN AZORES BASE AGREEMENT. YOU SHOULD REITERATE OUR DESIRE FOR A 10-YEAR EXTENSION OF THE 1951 AGREEMENT, AND OFFER ECONOMIC AND MILITARY ASSISTANCE. THE SIMPLE RENEWAL ARRANGEMENT WOULD BE EFFECTED AND THE ASSISTANCE WOULD BE AGREED TO IN SEPARATE EXCHANGE OF NOTES AS WAS DONE IN 1971. TECHNICAL ARRANGEMENTS WOULD BE RESOLVED DIRECTLY BY THE TWO DEFENSE DEPARTMENTS, AS AGREEMENT PROVIDES.

4. YOUR APPROACH SHOULD BE BASED ON THE \$120 MILLION AID PACKAGE OF \$60 MILLION IN GRANT ECONOMIC ASSISTANCE AND AN EQUAL AMOUNT OF GRANT MAP, APPROVED BY THE PRESIDENT. (THIS IS ALL THAT IS AVAILABLE AND WE CANNOT GO BEYOND THIS FIGURE.) OUR DESIRE FOR A 10-YEAR AGREEMENT BEGINNING FEBRUARY 1974 IS GENUINE, BUT IF THIS NOT POSSIBLE FOR GOP, WE WOULD AGREE TO NINE.

5. AS WE EMPHASIZED TO VILLAS BOAS, WHICH YOU MAY REAF-
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FIRM TO SOARES, THE U.S. UNDERSTANDS PORTUGAL'S AZOREAN PROBLEM AND DOES NOT WANT TO COMPLICATE ISLAND-MAINLAND RELATIONS. WE NOTE GOP'S INTENTION TO EARMARK FOR THE AZORES THE ECONOMIC ASSISTANCE PROVIDED UNDER THE RENEWAL AGREEMENT.

6. WE WOULD HOPE THAT YOUR DISCUSSIONS WITH SOARES WOULD RESULT IN AGREEMENT ON THE MAJOR ELEMENTS - LENGTH OF RENEWAL PERIOD AND LEVELS OF ASSISTANCE--BUT RECOGNIZE THAT THIS MAY NOT BE POSSIBLE. FOLLOWING YOUR MEETINGS, STATE AND DEFENSE WOULD EACH BE WILLING TO SEND AN OFFICER TO LISBON TO PURSUE INFORMAL TALKS, IF YOU THINK IT ADVISABLE. VANCE

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